

**FLORENCE CONVALESCENT CENTER, INC.**

**FLORENCE, SOUTH CAROLINA**

**CONTRACT PERIODS  
BEGINNING OCTOBER 1, 1997  
AC# 3-FLR-J6**

**REPORT ON CONTRACT**

**FOR**

**PURCHASE OF NURSING CARE SERVICES**

**WITH**

**STATE OF SOUTH CAROLINA**

**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

April 22, 1999

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Florence Convalescent Center, Inc., for the contract periods beginning October 1, 1997 and for the twelve month cost report period ended September 30, 1996, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Florence Convalescent Center, Inc., to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Florence Convalescent Center, Inc. dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
April 22, 1999

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA  
State Auditor

**FLORENCE CONVALESCENT CENTER, INC.**

Computation of Rate Change  
For the Contract Periods  
Beginning October 1, 1997  
AC# 3-FLR-J6

10/01/97-  
09/30/98

Adjusted reimbursement rate	\$64.65
Interim reimbursement rate (1)	<u>63.95</u>
Increase in reimbursement rate	\$ <u><u>.70</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 8, 1998

**FLORENCE CONVALESCENT CENTER, INC.**  
Computation of Adjusted Reimbursement Rate  
For the Contract Periods October 1, 1997 Through September 30, 1998  
AC# 3-FLR-J6

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$26.47	\$44.95	
Dietary		9.90	9.74	
Laundry/Housekeeping/Maint.		<u>7.93</u>	<u>7.72</u>	
Subtotal	\$ <u>4.37</u>	44.30	62.41	\$44.30
Administration & Med. Rec.	\$ <u>4.19</u>	<u>5.26</u>	<u>9.45</u>	<u>5.26</u>
Subtotal		49.56	\$ <u>71.86</u>	49.56
<u>Costs Not Subject to Standards:</u>				
Utilities		2.27		2.27
Special Services		-		-
Medical Supplies & Oxygen		1.79		1.79
Taxes and Insurance		.49		.49
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		\$ <u>54.11</u>		54.11
Inflation Factor (4.40%)				2.38
Cost of Capital				5.91
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				1.89
Cost Incentive				4.37
Effect of \$1.75 Cap on Cost/Profit Incentives				(4.51)
Minimum Wage Add-On				<u>.50</u>
ADJUSTED REIMBURSEMENT RATE				\$ <u>64.65</u>

**FLORENCE CONVALESCENT CENTER, INC.**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1996  
AC# 3-FLR-J6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$ 848,471	\$ -	\$ -	\$ 848,471
Dietary	317,438	-	-	317,438
Laundry	83,518	-	-	83,518
Housekeeping	82,853	-	-	82,853
Maintenance	87,773	-	-	87,773
Administration & Medical Records	173,398	-	4,793 (1)	168,605
Utilities	72,692	-	-	72,692
Special Services	-	-	-	-
Medical Supplies & Oxygen	57,442	-	-	57,442
Taxes & Insurance	15,795	-	-	15,795
Legal Fees	-	-	-	-
Cost of Capital	<u>161,744</u>	<u>27,868</u> (3)	<u>167</u> (2)	<u>189,445</u>
Subtotal	1,901,124	27,868	4,960	1,924,032
Ancillary	14,372	-	-	14,372

**FLORENCE CONVALESCENT CENTER, INC.**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1996  
AC# 3-FLR-J6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Non-Allowable	<u>90,482</u>	<u>4,793</u> (1)	<u>27,868</u> (3)	<u>67,407</u>
Total Operating Expenses	<u>\$2,005,978</u>	<u>\$32,661</u>	<u>\$32,828</u>	<u>\$2,005,811</u>

Total Beds 88

Total Patient Days 32,053



**FLORENCE CONVALESCENT CENTER, INC.**  
Adjustment Report  
For the Cost Report Period Ended September 30, 1996  
AC# 3-FLR-J6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable Administration	\$ 4,793	\$ 4,793
	To reclassify expense to the proper cost center State Plan, Attachment 4.19D		
2	Accumulated Depreciation	87	
	Other Equity	1,537	
	Cost of Capital		167
	Fixed Assets		1,457
	To adjust fixed assets and related depreciation to allowable State Plan, Attachment 4.19D		
3	Cost of Capital	27,868	
	Nonallowable		27,868
	To adjust capital return to allowable State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$34,285</u>	<u>\$34,285</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**FLORENCE CONVALESCENT CENTER, INC.**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1996  
AC# 3-FLR-J6

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.1144</u>
Deemed Asset Value (Per Bed)	33,022
Number of Beds	<u>88</u>
Deemed Asset Value	2,905,936
Improvements Since 1981	253,639
Accumulated Depreciation at 9/30/96	<u>(683,012)</u>
Deemed Depreciated Value	2,476,563
Market Rate of Return	<u>0.070</u>
Total Annual Return	173,359
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	173,359
Depreciation Expense	16,086
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	189,445
Total Patient Days	<u>32,053</u>
Cost of Capital Per Diem	\$ <u><u>5.91</u></u>

**FLORENCE CONVALESCENT CENTER, INC.**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1996  
AC# 3-FLR-J6

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$2.66
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$6.65</u>
Reimbursable Cost of Capital Per Diem	\$5.91
Cost of Capital Per Diem	<u>5.91</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>